DEFINITIONS

Unfortunately, detailed discussions on substantially equal periodic payments require the acquisition of a new vocabulary. Following is a guide to most of the new terms one is likely to encounter.

Account Aggregation The concept of combining multiple IRA accounts into one account. Almost always, this step must be taken before the 1st SEPP distribution is made. A single taxpayer may have an unlimited number of IRA accounts. Aggregating some subset of those accounts into a single IRA will often make the administration of a SEPP plan materially easier.

Account Fracturing The concept of splitting a single IRA account into multiple accounts. Account fracturing is always performed before the commencement of SEPPs. This is a critical planning tool as SEPP plans are launched "by account". Therefore, splitting a single IRA into multiple IRA accounts is the precursor to launching multiple SEPP plans, or simply segregating some dollars of an IRA into separate location for emergency purposes; e.g. one might want to launch a SEPP plan holding $100k on the side to deal with unplanned emergencies and / or opportunities, and in doing so protect the SEPP IRA from a modification.

AGC Assistant General Counsel's Office of the Internal Revenue Service. Generally, the AGC is responsible for policy making and issuance of multiple IRS document types including: regulations, rulings, notices, general counsel memorandums and private letter rulings. The AGC is unrelated to the processing and enforcement divisions of the IRS.

AFR Applicable federal (interest) rate. There are short-term, mid-term and long-term AFRs used for a variety of purposes. SEPP programs, some which require the use of an interest rate assumption, commencing in 2003 were limited to 120% of the mid-term AFR in force for either of the two months preceding the date of the first distribution. AFRs are computed monthly by the Department of Treasury & then transmitted to the IRS for publication in Revenue Procedures. AFRs are not made-up numbers; rather, they are a reflection of actual yields on US Treasury devices occurring day-to-day in the financial markets. Further, AFRs bear no relationship to a taxpayer's rate of investment return on their IRA account which will likely be very different from the prevailing AFRs when a taxpayer might launch a SEPP plan.

Amortization Method One of the three computational methods safe-harbored for SEPP computations identified in IRS Notice 2022-6. This method is actually "an arrears" mathematical formula not unlike the same formula used to compute home mortgage payments. It requires the use of the variables or operands: a beginning account balance; an interest rate assumption (see AFR) and a life expectancy or term. Amortization results can be thought of as the payment or distribution from the IRA account that will exactly exhaust the account assuming earnings at the stated interest rate over the life expectancy of the taxpayer.

Annual Recalculation The process of using one's updated age and resultant life expectancy, IRA account values, and interest rate assumptions to determine the correct distribution for the year. If adopted, SEPP plans using annual recalculation are recalculated every year throughout the SEPP

plan. Annual recalculation can be applied to either the amortization method or the annuitization method. Annual recalculation is required when using the minimum method.

Annuity Is a promise by some other entity to pay you a specified amount (usually per month) for the remainder of your life. In this sense social security is an annuity with a COLA attached. The primary output of actuaries is the pricing of annuities and all of their features. In the context of this guide we can think of annuities in two forms: (1) defined benefit plans offered by employers are really annuities in that they offer a monthly benefit for life to the retiree — these plans are governed by IRC §72(q); (2) a taxpayer may independently choose to take all or a portion of their IRA to a life insurance company and purchase a private annuity — this is really an investment decision made by the taxpayer.

Annuity Method One of the three computational methods safe-harbored for SEPP computations identified in IRS Notice 2022-6. The annuity method produces similar results to the amortization method but is mathematically very different. Built into the annuitization mathematics is the assumption that "on average" everyone who is going to die within a year will do so on July 1st. Thus, all else being equal, when using the same mortality tables and / or resultant life expectancy tables (which is now required), the annuity method will always yield an annual distribution that is slightly lower than the amortization method which, in comparison is assuming that everyone scheduled to visit a mortician will do so on December 31st.

Attained Age Meaning an individual taxpayer's highest age within a calendar year. All computational methods for SEPP annual distributions use attained age. As an example, a taxpayer's date of birth may be August 15, 1970. Therefore, on April 1, 2020, this taxpayer is 49. Nonetheless, by December 31, 2020, they will be 50; therefore 50 is the taxpayer's highest attained age and is the age used in all SEPP distribution formulas.

Basis A taxpayer's lifetime-to-date after-tax contributions to a deferred account. Basis has become more rare in the 21st century. Taxpayers should always check their deferred accounts and converse as necessary with plan administrators to determine if any basis exists in the account. Distribution of basis is not taxed and therefore not subject to IRC §72(t). Instead basis is considered to be a return of capital to the taxpayer.

COLA Cost of Living Adjustment. Generally no longer used in SEPP computations. SEPP plans with fixed and/or relative COLAs were anticipated and effectively approved in 1986 as reflected in the Joint Committee on Taxation minutes. Further, a few SEEP plans with colas were approved in the 1990's via private letter rulings. Since then, we suspect due to relatively low inflation through 2020, these type of plans have simply fallen out of favor.

Deferred Account: is a synonym for retirement plan essentially titled for the biggest tax advantage of all retirement plans; the ability to grow the contents of a retirement plan and "defer" all taxation of the account transactions until such time as withdrawals commence. There is an enormous trade-off here that is extremely valuable. The IRC says that one is free to trade within the confines of the IRA into thousands of permitted investments, all of which sooner or later produce interest, dividends of varying types as well as short / long term capital gains and losses. 100% of these transactional gains or losses are ignored irrespective of their type and timing. In

return, 100% of the contents of the IRA, when distributed, are treated as ordinary income but only when distributed. This then suggests a set of investment axioms that govern which types of investments should be made versus avoided inside of an IRA versus in a regular brokerage account; e.g. one might regularly purchase Certificates of Deposit (which are always interest bearing) and also purchase tax-exempt bonds. The former should always be purchased in the IRA whereas the later should always be purchased in an after-tax brokerage account.

Defined Benefit (Plan) A plan, usually 100% employer funded that promises a future period specific periodic payment to an employee. Most defined benefit plans are governed by IRC §72(q). Most defined benefit plans are formula driven such as: the retiree will receive a monthly benefit amount computed as 2% times number of years of employment service (up to 30) times average annual earnings from the retiree's last five years of service. This might compute to the retiree receiving $3,000 per month which may or may not have a COLA attached to it. In this case, the retiree has a "benefit claim" against the plan but does not have a divisible claim against the assets of the plan; e.g. as long as the retiree continues to receive his or her $3000 per month then all is fine. What happens if the pension payments stop and the most likely reason the monthly payments stopped is the plan ran out of assets — the well has run dry. Fortunately, in almost all cases, the Pension Benefit Guarantee Corporation ("PBGC") will step in and take over the periodic payments from its insurance fund. This coverage is not automatic and for higher wage earners is not a 100% replacement, nonetheless it is better than no insurance at all. This then raises the question of defined benefit plan conversions using a "qualified lump sum distribution". If offered, QLSDs should be very carefully considered as they offer a mechanism to essentially convert from a DB plan to a DC plan by accepting a lump sum of cash in lieu of the monthly payments.

Defined Contribution (Plan) A plan, usually funded by employees and employers that does not promise a future period payment (see DB plan immediately above) Instead, the employee is guaranteed the cash contents of the account upon separation of service. Here the retiree has an absolutely claim on all of their assets currently contained in the plan. Further, by statute they have been receiving quarterly statements from the plan identifying those assets along with how those assets have been invested at the direction of the employee / retiree. Almost all defined contribution plans are governed by IRC §72(t). Usually, the retiree must be offered the opportunity to leave their assets in the plan or can use a QLSD to easily move the plan assets to a new rollover IRA at the financial institution of their choosing. There are two very serious issues here: one, there is generally no ability within a DC plan to convert back to a DB plan; nonetheless, the same effect can be accomplished by using a QLSD to send the assets to the life insurance company of your choice and then purchase an immediate annuity; two, on the assumption that the retiree uses a QLSD to move the assets to another financial institution, it is now 100% the retiree's duty and responsibility to safeguard and protect those assets from an investment perspective; essentially a new job for which the retiree may not be entirely prepared. It is this second issue which serves as the foundation of a $20 trillion dollar "financial planning" industry.

De Minimus A small amount. In the context of SEEP distributions this is $1.00 or less. In many other sections of the IRC, de minimus amounts are actually spelled out in terms of dollars and / or percentages; this is not one of them. Therefore, we defer to the default of $1.00, either rounded or truncated. Theoretically, a SEEP plan participant might make a larger error; $8 or $22 or even $46

or round to the nearest $100. We have never seen an adverse nor affirmative ruling in this situation. But, why tempt fate when there is nothing but downside risk here.

Distribution Same as a withdrawal. Distributions and withdrawals from the IRA supporting a SEEP plan can be random in amount and frequency within a tax year. That said, unless there are overriding issues to the contrary, we recommend one distribution per tax year per plan. Why tempt fate with multiple distributions within a tax year as it has no added value and does create additional possibilities for error. Further, distributions during the period 12/15 through 1/15 are similarly discouraged as too many people are on vacation again creating an environment of questionable skill with your trustee / custodian. Lastly, distributions can be made is dollars or "in kind". An "in kind" distribution example: instructing your trustee / custodian to distribute 1234 shares of XYZ common from your IRA to your after-tax account. This distribution will generally be priced at the closing price on the day of execution. Now the taxpayer is likely faced with a small underage / overage to get to the correct annual distribution. Last century these "in kind" distributions probably made sense in order to avoid transaction commissions. In the 21st century almost all brokerages are now offering either free electronic trading or substantially reduced fees such that "in kind" distributions become more of a headache than they are worth. Therefore, with simplicity being the safest route, we recommend keeping at least a year's worth of distribution cash in the IRA; distribute in cash in one transaction for the year; then spend the remainder of the current year rebuilding the next year's distribution cash.

Earned Income Income acquired through the use of one's labors, typically reported on a W-2 as wages or a 1099M or 1099NEC for self-employed. The distinction here is that earned income is both income taxed as well as FICA/Medicare taxed to a combined rate near 35% or more for W-2 wage earners and 42% or more for the self-employed. Sometimes the term "unearned income" will be used although it is a misnomer; a taxpayer still earned the income; the "unearned" adjective is used to denote income that was previously FICA/Medicare taxed and thus, in the extant transaction the recognition of the income causes the application of income tax only. As an example, all employee §401(k) plan contributions are FICA/Medicare taxed when earned but receive the income tax deferral only. Check an old pay stub and you will see 7.65% was withheld for FICA / Medicare against gross income but a lesser amount a federal withholding tax was deducted based on the employee's periodic plan contribution.

Employee Used synonymously with "account holder" and "taxpayer" to indicate the owner or beneficiary of a deferred account. Technically, all deferred accounts originated from employer sponsored plans; IRAs are actually a later day creation in the 1980s. As a result, much of the IRC was drafted using the term "employee" which, through the passage of time has grown to mean any of: employee / account holder / taxpayer.

Error In Theory A misinterpretation of a basic concept or requirement of tax law. In SEEP plans, theory errors are relatively easy to make; there are not a bunch of forms with three dozen carefully worded lines on them; nor are there readily available computer software products to tell the taxpayer that the design has been done correctly. We recommend one visit the Tech Corner on this website and read: "Should You Hire A Professional To Get An Opinion Letter" as a foundation on how to avoid theory errors and / or transfer the responsibility for such errors to the professional.

Lastly, theory errors are almost never correctable and mandatorily result in the 10% retroactive surtax on all distributions.

Error In Practice Only slightly less painful than a theory error, practice errors are almost always caused by the taxpayer or communication between the taxpayer and trustee / custodian. Further, practice errors tend to be transaction specific; e.g. all went well for three years and then some form of a transaction error occurs in year four. For this reason, we always recommend: (1) that transactions be kept to a minimum preferably one per year per plan versus multiple and; (2) despite living in the paperless 21st century, all transaction orders should be in writing (or equivalent) so that an audit trail of events and taxpayer intent is provable. In the absence of proof "that the other guy did it" the IRS will always lay the blame for an error on the taxpayer's doorstep and will assess accordingly.

Evidence In this context means external (internally or self-created evidence does not count) documents that prove, beyond a reasonable doubt, the accuracy of the taxpayer's assertions. More specifically, upon examination, be prepared with external evidence that proves up: the taxpayer's age and resultant life expectancy, interest rate assumptions, and account(s) beginning balance(s). It recommended that all of these materials be copied and safe-kept during the SEPP planning phase; that way no one panics four years later when the IRS audit letter arrives.

Exhaustion A deferred account which prematurely runs out of assets before satisfying the law or before its intended time period, typically a lifetime. During the 1980's and 1990's, many taxpayers launched SEEP plans using high interest rate assumptions as well as more aggressive mortality tables which resulted in account distribution rates at 10% to 12%. Since then the financial community involved in financial retirement planning has created the concept of "safe withdrawal rates", SWR, loosely defined as the account withdrawal rate that can be sustained for the remainder of the taxpayer's lifetime and provide a high (usually 95% or more) confidence that the taxpayer will expire with assets remaining; far preferable to being living and broke. The financial community has learned that SWR's are most likely in the range of 4% to 6% at maximum; therefore it was not surprising that some number of taxpayers launched SEEP plans that were too aggressive and literally the SEPP plan went broke. The IRS, in response to these situations, issued Revenue Ruling 2002-62 which provided for two escape routes: (1) a taxpayer could let the SEPP account literally exhaust itself to zero and the IRS will graciously waive the retroactive 10% surtax plus interest, or (2) a taxpayer is granted a one-time method change from either the amortization or annuitization method to the minimum method to usually create materially lower annual distributions going forward.

IRA: is an Individual Retirement Account of which there are two basic types: regular IRAs defined within IRC §408(a); and Roth IRAs defined within IRC 408A. IRAs have many sub-types: contributory, regular, rollover, conduit, etc. Almost all of the differences in these IRA sub-types have been ironed out through subsequent tax acts such that virtually all §408(a) IRAs are now treated the same at least within the application of IRC §72(t).

IRC: the Internal Revenue Code resides in Title 26 of the U.S.C.A. ("United State Code Annotated"), essentially the law of the land on taxation. Modifications to the IRC occur frequently

which originate as a bill in the US House of Representatives, is passed by that House, subsequently passed by the US Senate and finally signed by the then President of the United States. The individual sections of a signed bill are then integrated into the IRC creating the IRC of 1986 as amended, usually just shortened to: IRC. The IRC is literally the creation of law by Congress and a President. Once the law is created two other organizations take over: (1) the Judiciary in the form of either U.S. District Court or U.S. Tax Court to resolve situations where the law created is either vague or in error; (2) the IRS takes over as the administrator of the law. There is many an instance where the words spoken are: "you would not believe what the blankety-blank IRS has done now". Admittedly, no one loves the IRS; however, frequently one's ire should really targeted at Congress, not the IRS. Often, the IRS is required to act in what appears to be an illogical and detrimental manner to a taxpayer because Congress has placed them in an untenable situation with no latitude.

IRC §72(t): is an income section of the IRC which imposes regular income tax and surtaxes on withdrawals from all retirement plans. Subsequent sub-sections of IRC §72(t) provide exceptions to the surtaxes. Sometimes these exceptions are for all retirement plans, sometimes for only qualified plans, QRPs, and sometimes only for IRAs.

IRP Individual Retirement Plan (different than and a subset of QRPs) defined in IRC §7701(a)(37) as individual retirement accounts and individual retirement annuities defined in IRC §408(a) & 408(b) respectively.

IRS: is the Internal Revenue Service, a department within the U.S. Treasury responsible for administration of the IRC as well as the levying and collection of many types of taxes including all taxes originating from the IRC. Not surprisingly, the IRC and the IRS are frequently confused (see above). Within the context of IRC §72(t) there is a critical issue. Whenever the IRC speaks with some level of clarity and you, the taxpayer are taking an opposing position, the outcome is simple—you will lose and the IRS as the administrator of the law will simply be the sharp end of the stick applying the required surtaxes and penalties. Conversely, when the IRC is silent or vague, the IRS does have some latitude to recognize taxpayer intent and reach a reasoned conclusion. In this later instance the taxpayer's ability to win is increased and heavily dependent on the presence of external / written evidence to support taxpayers intent.

Irving Is a super computer owned by the IRS and programmed by secret IRS programmers in a secret IRS location. Irving has two purposes in life: (1) to keep the United States Postal Service in business as Irving produces approximately 100,000 pieces of correspondence per day; (2) to scan, peruse, browse and examine taxpayer records looking for inconsistencies. When Irving finds an inconsistency he presumes that his records and all records he has received from employers and financial institutions are correct and that you the taxpayer are always WRONG! Irving then reverts to his 1st purpose in life and sends you a "Irv-a-gram" which generally starts with: "Dear Taxpayer...we have examined your return and found certain items missing. We have taken the liberty of adjusting your 20xx tax return as follows: please remit the additional five bazillion dollars due within the next 30 days...alternatively, if you disagree with these adjustments feel free to call Ms. Dontstandachance at (800) 829-1040. (Please excuse the author for a just a little humor here. Unfortunately, the above is reasonably close to what actually happens).

Life Expectancy Table A table of averaged or anticipated life expectancy based upon one's already achieved age. Life expectancy tables govern a portion of the mathematics used to determine annual distributions using any of the three approved methods. Additionally, when a

taxpayer is designing a SEPP plan (s)he can select from three different life expectancy tables: single, joint & survivor and uniform. Most of the time, maximizing the annual distribution or achieving a fixed annual distribution committing the least amount of capital is the objective. In this case the single life expectancy table will always achieve the best result. In other cases, use of the joint & survivor or uniform tables will provide progressively smaller distribution amounts,

LT/AFR Long-term applicable federal rate. Usually the long-term AFR is approximately equal to 10 to 15 year treasury bond yields.

Look Back Tax A provision in IRC §72(t)(4) which causes transactions (typically SEPPs) to reclassified such that multiple tax years are affected and recalculated to arrive at a new tax due amount for the sum of the years. More specifically, if a taxpayer modifies their SEPP plan then all distributions from inception are surtaxed at 10% per distribution and then statutory interest is added to the surtax for all distributions made in the prior years. Because of audit lag, defined as the time from tax filing of a year to final determination that a SEPP plan modification has occurred, can easily be 3 to 6 years, the sum of the 10% surtaxes plus interest can become huge. As a result the "look back tax" should be avoided at all costs.

Minimum Distribution Method. One of the three distribution methods described in Notice 2022-6, that if followed correctly, is safe-harbored meaning protected from the application the 10% surtax in IRC §72(t)(4). Although Notice 2022-6 says "required minimum distribution method", in this regard Notice 2022-6 is incorrect: there is nothing required here at all, rather the "required" aspect of this method comes into play for taxpayers aged 72 and older who must compute required minimum distributions to set a dollar minimum threshold for distributions those taxpayers must make each year in order to avoid the excess accumulations tax at 50%. As a matter of simplicity, the mathematics of both computations are the same: use the taxpayer's age to look up their life expectancy; divide this value into the balance of the account from the immediately previous December 31st and the result is the distribution for the current tax year. As a generality, most younger taxpayers are disinterested in the minimum method as it produces relatively small annual distributions.

Modification Prematurely changing the pattern of SEPP distributions such that the SEPP plan becomes disqualified and the 10% surtax or "look back tax" is imposed. Modification is potentially the most dangerous word in the execution of SEPP plans. Modifications should be avoided at all costs as they are rarely correctable. Then, the IRS is forced (they have no choice in the matter) to apply the 10% surtax plus interest. Unfortunately, neither the IRC nor the IRS have a written definition of "modification" essentially relying on a facts and circumstances test to decide if a modification has occurred.

MT/AFR Mid-term applicable federal rate. Usually the mid-term AFR is approximately equal to the 8 year treasury bond yield.

Notice 89-25 was originally issued in 1989 and was the first document issued by the IRS discussing substantially equal periodic payment plans. More specifically it first introduced taxpayers to the concept of the three computational methodologies: minimum, amortization and annuitization. It remained the primary authority on SEPP plans for 13 years until the mandatory adoption of

Revenue Ruling 2002-62 commencing 1/1/2003.

Notice 2022-6 issued by the IRS on 1/18/22 provides updated and in some cases new detailed rules for the design and execution of SEPP plans such that plans compliant with the rules specified are safe-harbored meaning that the 10% will not be applied. Notice 2022-6 supercedes Revenue Ruling 2002-62 and Notice 89-25. A Notice, authored and published by the IRS, should be considered a primary authority on the subject matter at hand.

PLR Private Letter Ruling. PLRs are sometimes referred to as the making of law one taxpayer at a time. A PLR submission and its processing are fairly rigid not unlike the hearings and rulings attendant to serious motions in a legal trial. Not surprisingly, PLRs are lengthy in 40 to 80 page range, expensive to create and expensive to file. The IRS charges $10,000 ($12,500 effective 7/1/22) to simply read the PLR submission created by the taxpayer's tax attorney or tax CPA.

Publication A document authored and published by the IRS that should be considered a secondary source on a subject. Publications are attempted to be written in plain English for consumption by the general public. Whereas IRS regulations should be thought of as law, an IRS publication is at the other end of the authority spectrum. A publication is the IRS's thoughts and opinion on a particular subject which may or may not be right. The IRS issues hundred's of publications, many of which are repeated year after year and updated as tax law changes.

QDRO Qualified Domestic Relations Order. Usually issued by a judge pursuant to a divorce proceeding that will govern the splitting of deferred account assets between ex-spouses. In this arena there can be two kinds of QDROs: (1) as part of the asset distribution between the parties, the court may order that an IRA be split between the parties with the character of the IRA dollars remaining unchanged; e.g. most commonly the husband's IRA is ordered to be split 50/50 into two IRAs and the 2nd IRA retitled into the spouse's name. This is a non-taxable event thus IRC §72(t) is not applicable. (2) the court may order a taxable distribution or stream of taxable distributions be made from one spouse's IRA and made payable after-tax to the other spouse. In this case, with a properly crafted QDRO, the distribution(s) are subject to regular federal income tax but avoid the 10% surtax under IRC §72(t)(2)(C).

QLSD Qualified Lump Sum Distribution. A QLSD occurs from a qualified DB or DC plan as long as the rules are followed: (1) the employee has separated from service;(2) the amount being distributed is substantially all of the employee's assets in the plan. In general, if the QLSD is being made directly to the employee then 20% federal income tax is withheld; if the QLSD is being made directly to another qualified trustee, such as a rollover IRA account at a designated brokerage then no federal income taxes are withheld. Generally speaking, but for the "Separation of Service At Age 55" exception under IRC §72(t)(2)(A)(v) separated employees should always elect to at least initially send their distribution direly to another qualified trustee so that federal income tax is not withheld.

QRP Qualified Retirement Plan; IRC §4974(C). In general all plans receiving qualification from IRC §§ 401(a), 403(a), 403(b), 408(a) & 408(b).

Qualified Plan: is a tax advantaged employer-sponsored plan identified within the IRC. Virtually

all qualified plans are found in IRC §§401 through 424. Profit sharing plans (defined by §401(a)), employee contributory plans (defined by §401(k)), and public sector employee plans (defined by §403(b)) are all very common. IRAs, both regular and ROTH **are not qualified plans** although they do have many of the same operational benefits as a qualified plan. Qualified plans are specifically identified in IRC §4874(c).

Regulation. A written pronouncement from the IRS that is broad in scope that generally discusses theory and practice regarding one or more areas of the IRC. Regulations should always be considered as law. Generally speaking, regulations are the "top of the food chain" in IRS pronouncements in terms of authority. To take a position contrary to a regulation is extremely unwise without the expertise of competent legal tax counsel.

Retirement Plan: is a general umbrella term used to describe the sum of all qualified plans and all IRAs whenever the distinction between the two is irrelevant. Whenever the distinction between a qualified plan and an IRA is important the term "retirement plan" will not be used.

Revenue Procedure. A written pronouncement from the IRS that tends to be procedural in nature often defining how a taxpayer should interact with the IRS. Secondly, Revenue Procedures are used to publish repetitive data; such as monthly applicable federal rates.

Revenue Ruling 2002-62 substantially replaced Notice 89-25 as the primary authority on substantially equal periodic payment plan design and execution. This ruling is/was in-force through 12/31/2022. Commencing 1/1/2023 it is mandatorily replaced by Notice 2022-6. A Revenue Ruling is a written pronouncement from the IRS generally discussing a tactical issue. Revenue rulings, not unlike Revenue Regulations should be considered as law.

Reversibility Typically refers to the ability to make a tax decision in one time period and retain the ability to reverse and/or correct that decision in a later time period. This ability is generally not available with SEPP plans. This issue often arises at the worst time; usually whenever distributions are too large or too small and a year-end boundary has been crossed preventing the taxpayer to "look back" into the prior tax year and correct the errant transaction. When facing this situation, a taxpayer should seek out professional help to determine what, if any, corrective measures are available.

Rollover The method by which an employee can move deferred assets from location to another. Usually, the trustee is required to withhold 20% of the assets as a tax withholding. Further, taxpayers are now limited to one rollover per year across all of their deferred accounts. However, this rule does not really affect the portability of deferred account assets. Movement of these assets can be accomplished, usually easier and quicker, through the use of a trustee-to-trustee transfer.

ROTH IRA A special type of IRA, championed by Senator Roth (California), where distributions become tax free after the passage of 5 years and the owner attaining age 59 ½.

TD 9930 issued on 11/12/2020 contains the new life expectancy tables for single, joint with survivorship and uniform taxpayers. These tables, derived from the mortality rates determined by the 2020 census, generally increased life expectancies by two years. The previous tables were

derived from the 2000 census. Adoption of these new life expectancies was mandatory effective 1/1/2022.

Safe Withdrawal Rate ("SWR") In its purest form is that rate at which a taxpayer can withdraw from the corpus of an asset for the remainder of their lifetime at the end of which they can be highly confident (usually 95% or more) that upon their death (after which they generally do not require any income) they will have some remainderman from the original asset. Conversely, a rate higher than the SWR implies that the confidence level is decreasing which at some point implies that the taxpayer is likely to reach a point where they are living and have exhausted the entire corpus of the beginning asset — effectively an unsafe rate. Multiple factors appear to influence solving for SWR's including: duration and/or life expectancy; inflation rate adjusted or unadjusted withdrawals; asset investment mix of the corpus. By 2022 there are probably several dozen or more respected SWR studies all with differing assumptions each then arriving at different conclusions. Nonetheless, their appears to be a clustering of results in the 4% to 5% range suggesting that a taxpayer can simply divide their IRA by 20 or 25 to get a good starting range of safe annual withdrawals.

SEPP Substantially Equal Periodic Payment. Governed by IRC §72(t)(2)(A)(iv) and IRS Notice 2022-6.

SEPP Plan A taxpayer designed series of deferred account withdrawals designed to both meet the taxpayers needs as well as the IRC such that the distributions are not surtaxed. Unfortunately, SEPP plans are taxpayer created (with or without the help of a 72(t) expert) and there is generally no IRS review mechanisms in place to pass judgement on the legal accuracy or correctness of those plans.

SEPP Universe A collection of two or more deferred accounts, segregated from all other deferred accounts that are specifically identified as the asset base from which SEPP withdrawals will be made.

Single Life One's average, future life expectancy based upon the attained age of one individual.

Surtax An additional tax on top of regular taxes; in this case computed as 10% of the amount withdrawn from a deferred account. The United States uses a graduated income tax system such that one's percentage tax bracket rises as one's taxable income increases. The surtax on deferred account distributions is always a flat 10% of the amount distributed on top of however the underlying distribution might have been taxed.

Tax Deferred Implying that the results of a transaction are not currently taxed but will be taxed in some future time period. In this context SEPP plan distributions are partially taxed, partially tax deferred, and partially tax free. The annual SEPP plan distribution is always taxed in the years of distribution; the 10% surtax on those distributions is tax deferred for some number of years with a defined goal line (5 years and attaining age 59 ½) after which time the 10% deferred surtax is waived therefore becoming tax free.

Tax Free Implying that the results of a transaction result in no income tax due. As an example, purchase of municipal bonds and the interest received are always tax free.

Taxpayer Used synonymously to mean the employee who is the beneficiary of a deferred account. Most often, married couples tend to select a filing status of "married filing jointly" for a variety of good reasons. In the context of SEPP plans, the opposite occurs. IRAs and their SEPP plans are always individually owned and are never transferred or merged between marital partners. Nonetheless, were one partner to start a SEPP plan and then modify it incurring the 10% surtax plus interest, that tax liability would become the tax liability of both spouses.

Transfer Usually meaning "trustee-to-trustee" transfer as a method for an employee to move deferred assets from one location to another. In contrast to a "rollover", no tax withholding occurs. But for very rare circumstances, taxpayers are always encouraged to use trustee-to-trustee transfers to cause the physical movement of assets from one location to another. Transfers are governed by Rev. Rule 78-406 (1978-2 CB 157).

Trust A separate legal entity as distinguished from an employer/plan sponsor, which is responsible for the safekeeping of all assets inside a qualified plan or IRA.

Trustee An officer of a Trust.

Uniform Life The average combined life expectancy of the last to die of two individuals, the first individual at a stated attained age and the second individual exactly ten years junior to the first individual.